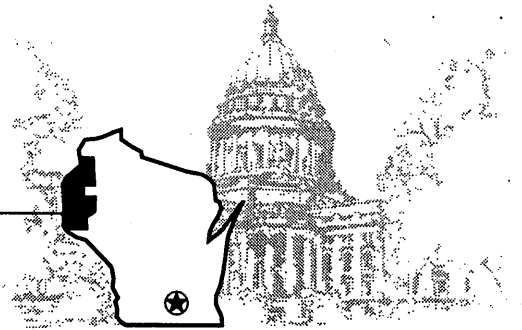


Alice Clausing

WISCONSIN STATE SENATOR



TESTIMONY OF SENATOR ALICE CLAUSING SUPPORTING SB 335 January 26, 2000

Thank you, Mr. Chairman, for the opportunity to outline SB 335, which restores affordability to prescription drug costs for Wisconsin's senior citizens.

Prescription drugs play an increasing role in total health care. But for senior citizens, prescription drugs can be the largest single monthly expense. The root causes of the problem are straight forward:

- Medicare and many private health insurance plans do not cover drugs.
- Some private plans restrict drugs to specific formularies that exclude needed drugs.
- The price for prescription drugs rose 15.4% in 1998 and another 15% in 1999.
- Market surveys indicate that some drugs, such as Ticlid (a drug for stroke survivors) may have a 300% cost differential between the insured and the uninsured.
- On average, a senior citizen without prescription insurance benefits pays 111% of the retail price for their drugs.

The result is that senior citizens are choosing between food and medicine, or between heating or hurting. These should not be the choices facing our older adults. Meeting the rising cost of prescription drugs is the leading concern of senior citizens today. I hear it at every community or town hall meeting I attend.

It is to Wisconsin's financial advantage to support healthy independent seniors who can avoid high cost acute or long-term care to address their health problems. America's pharmaceutical research firms are developing at least 600 different drugs that address the results of aging. But like all treatments, drug therapies only work when consumers have access to them.

Read any newspaper or magazine and you will see rising drug costs is not a problem limited to Wisconsin or even the Midwest -- it is a nationwide problem, with the states taking an active role in its resolution.

By last year, 16 states had created pharmacy assistance programs. Four more programs will begin this year. While each proposal is tailored to the specific needs of its



population, successful state programs have three core components mirrored in the development of SB 335. Let me outline them:

First – SB 335 is targeted at seniors, age 65 and older without prescription coverage elsewhere.

Second -SB 335 has income requirements; this is not an entitlement program. This bill sets income limits that are a starting point for our discussion while we examine the income ranges in similar programs across the country.

Third - Program participants share in the cost. Consumers are asked to make a co-payment equal to 25% of the Medicaid reimbursement rate for each prescription, *plus* \$5.00 for generic drugs and \$10 for brand names. Not only is it fair, it encourages consumers to use cost saving generic drugs when appropriate. In this draft, retailers would be paid the Medical Assistance Reimbursement rate for prescription drugs under this program.

The remainder of the program would be paid for through a manufacturer's "rebate" modeled after the federal rebate agreements under the federal Medicaid law and with general purpose revenues. It is appropriate for large pharmaceutical manufacturers to provide consistent, continuing support for this program. There is precedent for profit-based companies to be required to dedicate resources to the community; utility companies through community benefits for example. I am aware that this industry donates millions of dollars in their products to needy individuals each year. But the issue is not what pharmaceutical firms want to donate, but what our senior citizens need.

An individual's annual benefit would be limited to \$10,000. The program would be limited to prescription drugs included in the Medical Assistance formulary. The Department of Health and Family Services is given the flexibility to develop a program and implement it after review by the Joint Finance Committee. The Legislative Fiscal Bureau estimates the total cost to the state to be \$86 million annually with 500,000 eligible seniors.

When Medicare was created, outpatient prescription drugs were a very small part of overall health care. The financial burden was from hospitalization and physician care. Today, physicians are able to prolong life itself and the quality of life using more pharmaceuticals and fewer invasive procedures. But drugs only work when they are taken -- in the amount and dosage prescribed.

All involved parties -- government advocacy groups, pharmaceutical manufacturers and health professionals -- must participate in the development of a workable solution.

Wisconsin needs to join the 20 states that will have pharmacy assistance programs in place by the end of this year. Our senior citizens are looking to us for leadership in this area; it is time to provide it.

Thank you for your consideration.

Patrick Essie

PUBLIC AFFAIRS CONSULTING

January 26, 2000

TO: Senator Moen
Members, Senate Committee on Health, Utilities, Veterans and Military Affairs

FROM: Patrick Essie, WI Counsel
Pharmaceutical Research and Manufacturers of America (PhRMA)

RE: Senate Bill 335

At this time PhRMA is reviewing Senate Bill 335. We commend Senator Clausen for her work to ensure Wisconsin's senior citizens obtain access to important and often life saving drug therapies.

As you know, in addition to Senate Bill 335 a number of other Wisconsin legislative proposals have been drafted to address this important issue. Additionally, President Clinton and Congress have been working to address the needs of senior citizens who are not currently benefiting from some type of prescription drug coverage.

As this committee and the entire Wisconsin Legislature considers this issue, PhRMA would recommend that work is done with a careful eye toward the ongoing work in Washington to address this issue on a nation-wide basis.

With respect to Senate Bill 335, committee members may wish to consider some of the following issues:

- Drug manufacturers currently rebate \$40 million each year to the state of Wisconsin. PhRMA and its member companies are opposed to legislative measures which impose additional mandatory drug rebates from manufacturers as specified in SB 335.
- Because SB 335 establishes a very comprehensive program and a relatively high qualifying income threshold, a great incentive will exist for providers of existing prescription drug insurance to modify their coverage to require individuals to take advantage of the state program benefits before their coverage "kicks in".

Thank you for your consideration of these important issues. We welcome the opportunity to work with you and your committee as this issue progresses through the legislative process.